DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 9 9 — 0 1 4

2. STATE: Pennsylvania

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) TItle XIX

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 1999

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447 Subpart C

7. FEDERAL BUDGET IMPACT:
a. FFY 99 $ 0
b. FFY 00 $ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Pages 2a, 6, 14, 20, 22, 24, 27

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Pages 2a, 6, 14, 20, 22, 24, 27

10. SUBJECT OF AMENDMENT:
Continuing the provisions of 98-05 regarding inpatient hospitals

11. GOVERNOR'S REVIEW *(Check One)*:

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED: Review and approval authhrity has been delegated to the Department of Public Welfare

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
Feather O. Houstoun

14. TITLE:
Secretary of Public Welfare

15. DATE SUBMITTED: 9/30/99

16. RETURN TO:
Commonwealth of Pennsylvania
Department of Pbblic Welfare
Office of Medical Assistance Programs
Bureau of Policy, Budget and Planning
P.O. Box 8046
Harrisburg, Pennsylvania 17105

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: February 26, 2001

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: July 1, 1999

20. SIGNATURE OF REGIONAL OFFICIAL: Claudette V. Campbell

21. TYPED NAME:
CLAUDETTE V CAMPBELL

22. TITLE:
ASSOCIATE REGIONAL ADMINISTRATOR
DIVISION OF MEDICAID & STATE OPERATIONS

23. REMARKS:

FORM HCFA-179 (07-92)

Instructions on Back

Payments for Direct Medical Education Costs

(a) The Department reimburses eligible hospitals the Medical Assistance inpatient costs for direct medical education, that are determined allowable under Medicare cost principles in effect as of June 30, 1985. For the period July 1, 1997 through December 31, 1999, providers that were eligible for direct medical education payments as of June 30, 1997, or otherwise become eligible during this term shall be eligible for direct medical education payments.

(b) Payments

(1) For the period July 1, 1997 through December 31, 1997, eligible providers shall receive monthly payments equal to their monthly payments for January 1, 1997 through June 30, 1997.

(2) For the period January 1, 1998, through December 31, 1998, eligible providers shall receive quarterly payments based on the monthly payments set forth in (b)(1) converted to quarterly payments.

(3) For the period January 1, 1999 through December 31, 1999, eligible providers shall receive quarterly payments as set forth in (b)(2).

(c) Direct medical education payments shall be adjusted as necessary in accordance with the limitations set forth in Part V.

(d) Direct medical education payments shall be considered final and prospective and are not subject to cost settlement.

(9) For the period January 1, 1996 to December 31, 1996, each hospital's case mix adjusted cos case value in (g)(8) is the amount as of December 31, 1995, decreased by 5 percent to acco forecast error.

(10) For the period January 1, 1997, to December 31, 1997, each hospital's case mix adjusted co case value in (g)(9) is increased by 2 percent.

(11) For the period January 1, 1998, to December 31, 1998, each hospital's case mix adjusted co case value in (g)(10) is increased by 2.7 percent.

(12) For the period January 1, 1999 to December 31, 1999, each hospital's case mix adjusted co case value in (g)(11) is increased by 2 percent.

(h) The amount determined under (g)(12) is limited to $6,572.59 for the period January 1, 1999, to December 31, 1999.

Limits to Final Payments

The Department's payment for inpatient hospital services (including acute care general hospitals an their distinct part units, private psychiatric hospitals, and freestanding rehabilitation hospitals) may not exce in the aggregate, the amount that would be paid for those services under Medicare principles of reimbursement.

The Department's payment, exclusive of any disproportionate share payment adjustment, may not exceed the hospital's customary charges to the general public for the services.

The Department will not pay a final audited per diem rate for the hospital or hospital unit that exceec the ceiling, which is the hospital's audited per diem rate for the hospital or hospital unit for the preceding fis year increased for inflation by the following inflation factors:

(1) 5.6 percent to account for Fiscal Year 1988-89 inflation.

(2) 5.0 percent to account for Fiscal Year 1989-90 inflation.

(3) 5.3 percent to account for Fiscal Year 1990-91 inflation.

(4) 5.2 percent to account for Fiscal Year 1991-92 inflation.

(5) 4.6 percent to account for Fiscal Year 1992-93 inflation.

(6) 4.3 percent to account for Fiscal Year 1993-94 inflation.

This inflation factor is applied effective July 1, 1993, for all inpatient rehabilitation facilities which qualified for a disproportionate share payment, exclusive of supplemental disproportionate share payments Fiscal Year 1992-93. The inflation factor is applied effective January 1, 1994, for other inpatient rehabilitati facilities.

(7) Effective January 1, 1995, the amount determined under (6) will be increased by 3.7

(8) Effective January 1, 1996, the amount determined under (7) will be multiplied by .95.

(9) Effective January 1, 1997, the amount determined under (8) will be increased by 2%.

(10) Effective January 1, 1998, the amount determined under (9) will be increased by 2.7

(11) Effective January 1, 1999, the amount determined under (10) will be increased by 2%

For the period January 1, 1997 through December 31, 1997, the Department limits interim and final payment to rehabilitation providers to $954.61 per day. For the period January 1, 1998 through December 1998, the Department limits interim and final payment to rehabilitation providers to $980.38 per day. For the period January 1, 1999 through December 31, 1999, the Department limits interim and final payment to rehabilitation providers to $999.99 per day.

Part V. Aggregate Limits to Inpatient Disproportionate Share, Outpatient Disproportionate Share and Direct Medical Education

For the period July 1, 1997 through June 30, 1998, the Department shall distribute to providers tha eligible for direct medical education payments and/or disproportionate share payments including outpatien disproportionate share, the aggregate, annualized amount of $175 million.

For the period July 1, 1998 through June 30, 1999, the Department shall distribute to providers tha eligible for direct medical education payments and/or disproportionate share payments including outpatier disproportionate share, the aggregate annualized amount of $175 million.

For the period July 1, 1999 through December 31, 1999, the Department shall distribute to provide that are eligible for direct medical education payments and/or disproportionate share payments, including outpatient disproportionate share, the aggregate amount of $87.5 million.

PROSPECTIVE PSYCHIATRIC PAYMENT SYSTEM

Private Psychiatric Hospitals and Distinct Part Psychiatric Units of Acute Care General Hospitals

General Policy

The Department pays for inpatient psychiatric services under a prospective payment system. Payn is made on a per diem basis. The prospective per diem rate for each provider is established using that provider's base year per diem costs trended forward by an inflation factor.

All compensable services provided to an inpatient are covered by the prospective per diem rate exc for direct care services provided by salaried practitioners who bill the MA Program directly.

Costs are determined using Medicare principles unless otherwise specified. The Department does follow the substance or retroactivity of the malpractice insurance cost rule established by 51 F.R. 11142 (April 1, 1986). Malpractice insurance costs are included in the administrative and general cost center and allocated according to established accounting procedures.

Payment Limits

The Department's payment for inpatient services (including acute care general hospitals and their distinct part units, private psychiatric hospitals, and freestanding rehabilitation hospitals) may not exceed in aggregate the amount that would be paid for those services under Medicare principles of reimbursement.

The Department's payment, exclusive of any disproportionate share payment adjustment, may not exceed the hospital's customary charges to the general public for the services.

The Department limits the prospective per diem payment to psychiatric providers to $954.51 per da through December 31, 1997. For the period January 1, 1998 to December 31, 1998, the Department limits prospective per diem to $980.38. For the period January 1, 1999 to December 31, 1999, the Department l the prospective per diem to $999.99.

Nonallowable Capital Costs

Capital costs for new or additional inpatient psychiatric beds are not allowable under the Medical Assistance Program unless a Section 1122 approval letter, a Certificate of Need, or a letter of nonreviewal had been issued for the additional beds by the Department of Health prior to July 1, 1991.

Capital costs related to replacement beds are not allowable unless the facility received a Certificate Need or letter of nonreviewability for the replacement beds. To be allowable, the replacement beds must physically replace beds in the same facility and the capital costs related to the beds being replaced must h been recognized as allowable.

(e) Effective January 1, 1997 through December 31, 1997, the Department limits the prospective per diem to $954.61. Effective January 1, 1998, the Department limits the prospective per diem to $980.38. Effective January 1, 1999, the Department limits the prospective per diem rate to $999.99.

Exclusions From the Prospective Psychiatric Payment System

(a) Inpatient psychiatric facilities which place a new capital project into service after the base year are entitled to payment for certain capital costs, provided the qualifying criteria are met:

(1) The costs related to the capital project must represent increases in the inpatient psychiatric facility's allowable depreciation and interest costs for a fixed asset that was entered in the inpatient psychiatric facility's fixed asset ledger in the year being audited.

(2) The costs must be attributable to a fixed asset that is:

(i) approved for Certificate of Need on or before June 30, 1991, in accordance with 28 Pa. Code Chapter 301 (Relating to limitations on Federal participation for capital expenditures) or 28 Pa. Code Chapter 401 (Relating to Certificate of Need program), or not subject to review for Certificate of Need as evidenced by a letter of nonreviewability dated on or before June 30, 1991; and

(ii) related to patient care in accordance with Medicare standards.

(b) In order for an inpatient psychiatric facility to qualify for an additional capital payment set forth in this section, the following criteria must also be met:

(1) The inpatient psychiatric facility's rate of increase in overall audited costs must exceed 15%.

(2) The inpatient psychiatric facility's rate of increase for allowable depreciation and interest must exceed its rate of increase for net operating costs.

(c) For the period July 1, 1993 through December 31, 1999, for each inpatient psychiatric facility which requests an additional capital payment, the Department will audit its MA cost reports for the fiscal year for which the request is made, the prior fiscal year and all subsequent fiscal years for which additional capital payment is requested. To the extent that the facility is determined eligible to receive an additional capital payment under this section, the following applies:

AUGMENTED PAYMENTS FOR CERTAIN HIGH MEDICAL ASSISTANCE HOSPITALS

Effective July 1, 1993, the Department may make payments to certain high Medical Assistance hospita to assure their participation in the Medical Assistance Program. For a hospital to qualify for such payments, th hospital must meet all of the following criteria:

1. At least 60 percent of the hospital's days of care must be provided to Medical Assistance recipients as reported in the hospital's FY 1991-92 Medical Assistance cost report.

2. The hospital must provide a broad spectrum of inpatient services as evidenced by its enrollmer in the Medical Assistance Program as of June 30, 1993, as an acute care general hospital with at least two of the following types of excluded units enrolled:

   a. an excluded psychiatric unit;
   b. an excluded drug and alcohol detox/rehabilitation unit; or
   c. an excluded medical rehabilitation unit.

3. The hospital's liabilities exceed its assets as verified by the hospital's independently audited financial statements for FY 1991-92.

Hospitals qualifying under these criteria may be eligible for payments at a level adequate to assure the hospital's continued participation in the Medical Assistance Program and the continued availability of these services to the Medical Assistance population.

CHANGES OF OWNERSHIP

Effective July 1, 1993, no provider may have its rates rebased solely due to change of ownership.